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**MADSEN  
RED LAKE GOLD  
MINES,**

L I M I T E D

**ANNUAL REPORT  
1975**

ANNUAL MEETING JUNE 9, 1976

# MADSEN RED LAKE GOLD MINES, LIMITED

## directors

PAUL H. McCLOSKEY, M.C., B.Sc. <i>Mining Executive</i>	Toronto
HUGH H. MACKAY <i>Director of Pitfield, Mackay, Ross &amp; Company Limited, Investment Dealers</i>	Rothesay, N.B.
FOSTER W. HEWITT <i>Radio Executive, President of Radio Station CKFH</i>	Toronto
A. D. HELLENS, M.C., B.Sc. <i>Mining Engineer</i>	Toronto
R. DUNCAN McCLOSKEY, M.B.A., B.Sc. <i>Mining Executive</i>	Toronto

## officers

PAUL H. McCLOSKEY, M.C., B.Sc., <i>President</i>	Toronto
FOSTER W. HEWITT, <i>Vice-President</i>	Toronto
S. CZARNECKI, <i>Secretary-Treasurer</i>	Toronto

## MADSEN RED LAKE GOLD MINES, LIMITED

HEAD OFFICE ..... 55 Yonge Street, Suite 1110, Toronto, Canada M5E 1J4.

## TRANSFER AGENTS AND REGISTRARS

GUARANTY TRUST COMPANY OF CANADA  
88 University Avenue, 5th floor, Toronto, Canada M5J 1T8  
427 St. James Street West, Montreal, Canada.  
THE BANK OF NEW YORK ..... 48 Wall Street, New York 10015, N.Y.

## AUDITORS

JARRETT, GOOLD & ELLIOTT ..... Suite 1406 - Royal Trust Tower.  
Box 11, Toronto-Dominion Centre.  
Toronto, Ontario M5K 1A7.

## LISTED

TORONTO STOCK EXCHANGE ..... 234 Bay Street, Toronto, Canada. M5J 1R1.

# REPORT OF THE DIRECTORS

## To The Shareholders:

Your Directors submit the fortieth Annual Report which includes the Auditors' financial statement, covering the year ended December 31, 1975.

Under the terms of an agreement between Madsen and Bulora Corporation Limited, dated September 14, 1974, covering the sale to Bulora of the Company's mine and all adjacent mining properties and all mine buildings and mine equipment in the Red Lake area of Ontario, Madsen was to receive \$1,700,000 in cash and a royalty of 15% of the net proceeds received by Bulora from the operation of the Madsen mine. At December 31, 1975, \$1,200,000 of the \$1,700,000 was paid leaving an outstanding balance of \$500,000, payable by October 25, 1977. There were no royalty payments paid to Madsen. By amended agreement between the two companies, the outstanding balance of \$500,000, mentioned above, would be paid in monthly payments ending March 28, 1977.

It is to be noted that the Directors' Report to Shareholders in the 1974 Annual Report stated "the future of the mine and the payment of the royalty depends almost entirely on the future price of gold". Subsequent to the 1975 year-end, in April 1976, Bulora gave official notice that the mine would close in June 1976. No royalties, therefore, from the mine operation can be expected for the year 1976 or for any year in the future. It is expected that the full outstanding balance of \$500,000 owed by Bulora will be paid in full. This amount is secured by a debenture which is a first charge against the assets at the Madsen mine site.

Net earnings after extraordinary item (Note 5) were \$5,993 equal to .002¢ per share compared with a loss of 11¢ per share for the year 1974.

Working capital was \$2,858,750 at December 31, 1975, compared to \$2,694,095 at December 31, 1974, reflecting an increase of \$164,655 for the year 1975.

The Company will continue to increase its investment portfolio in the natural resource industry and will consider participation, either directly or through operating companies, in worthwhile ventures.

Madsen purchased 200,500 shares of its own securities during the year at an average price of 49¢ per share, reflecting the confidence of the Directors in the future of the Company.

There was no change with respect to Baffinland Iron Mines during the year. Madsen has a 20.06% interest in Baffinland Iron Mines which company owns large iron ore deposits on Baffin Island. Although not yet under development, the deposits will have substantial future value.

It appears to be the intent of the Saskatchewan government to "take over" the Potash Industry in that province. Should this occur, freehold land holdings by Madsen in Saskatchewan will probably be reduced to nominal value.

There was no change with respect to Lassie Red Lake Gold Mines Limited in the year under review.

Mr. D. W. Falconer, a Director since 1968, resigned and the vacancy on the Board of Directors created by his resignation was filled by Mr. R. D. McCloskey. In addition to other duties, Mr. R. D. McCloskey will be Assistant to the Secretary-Treasurer.

After more than forty years of service Miss Margaret Masterson, Secretary-Treasurer of the Company, retired August 18, 1975. The Directors express their sincere appreciation for her many years of willing service and co-operation with all Company personnel. The vacancy created by her retirement was filled by Mrs. S. Czarnecki.

### **1976 First Quarterly Results**

Earnings for the first quarter ended March 31, 1976, were \$26,743, down \$13,000 compared with same period of last year.

Income for the first quarter was \$44,029 compared to \$58,715 for similar period in 1974.

Working Capital was \$2,885,093 as compared to \$2,648,814 in 1974.

Respectfully submitted,

P.H. McCLOSKEY,  
President.

Toronto, Ontario,  
April 21, 1976

# MADSEN RED LAKE GOLD MINES, LIMITED

## STATEMENT OF EARNINGS

*for the year ended December 31, 1975*

	<u>1975</u>	<u>1974</u>
Investment income .....	\$ 101,917	\$ 202,571
Administration expense .....	108,949	80,958
Depreciation .....	275	344
	<u>109,224</u>	<u>81,302</u>
Earnings (loss) .....	(7,307)	121,269
Income from gold mining operations .....		938,838
Earnings (loss) before taxes and extraordinary item .....	(7,307)	1,060,107
Income taxes		
Current .....	15,700	42,500
Deferred .....	(23,000)	
	<u>7,300</u>	<u>42,500</u>
Earnings (loss) before extraordinary item .....	(7)	1,017,607
Extraordinary item (note 5) .....	6,000	1,398,877
Net earnings .....	<u>\$ 5,993</u>	<u>\$ (381,270)</u>
Earnings per share before extraordinary item .....	<u>\$ —</u>	<u>\$ .286</u>
Net earnings (loss) per share .....	<u>\$ .002</u>	<u>\$ (.107)</u>

## STATEMENT OF RETAINED EARNINGS

*for the year ended December 31, 1975*

	<u>1975</u>	<u>1974</u>
Balance, beginning of year		
As previously reported .....	\$1,364,610	\$3,322,196
Adjustment of prior year's income taxes (note 2) .....	<u>82,500</u>	
Balance, as adjusted .....	1,447,110	
Net earnings .....	<u>5,993</u>	
	<u>1,453,103</u>	<u>3,322,196</u>
Net loss .....		381,270
Dividend #49 .....		1,493,602
Acquisition costs and exploration expenditure on mining claims abandoned .....		214
		<u>1,875,086</u>
Balance, end of year .....	<u>\$1,453,103</u>	<u>\$1,447,110</u>

# BALANCE SHEET

December 31, 1975

## ASSETS

	1975	1974
CURRENT ASSETS		
Cash .....	\$ 9,011	\$ 59,837
Short-term deposits .....	1,586,542	1,980,513
Bullion, at market value .....	281,998	374,485
Accounts receivable .....	8,112	34,595
Note receivable .....	399,996	216,000
Marketable securities, at cost .....	612,761	399,769
(Market value 1975 \$685,000; 1974 \$623,536)		
	<hr/> \$2,898,420	<hr/> 3,065,199
NOTES RECEIVABLE (note 3) .....	100,005	384,000
SHARES IN COMPANIES, at cost		
Baffinland Iron Mines Limited		
680,075 shares .....	576,451	576,451
Other .....	<hr/> 44,835	<hr/> 43,585
	621,286	620,036
FIXED ASSETS, at cost		
Furniture and equipment .....	20,708	20,708
Accumulated depreciation .....	<hr/> 19,608	<hr/> 19,333
	1,100	1,375
MINING PROPERTIES		
Mining claims, at cost .....	26,953	26,953
Deferred exploration expenditure .....	<hr/> 7,765	<hr/> 4,686
	34,718	31,639
	<hr/> \$3,655,529	<hr/> \$4,102,249

Approved by the Board:

P.H. McCLOSKEY, Director

HUGH H. MACKAY, Director

# MADSEN RED LAKE GOLD MINES, LIMITED

(Incorporated under the laws of Ontario)

## LIABILITIES

### CURRENT LIABILITIES

	<u>1975</u>	<u>1974</u>
Accounts payable .....	\$ 36,247	\$ 96,057
Taxes payable .....	<u>3,423</u>	<u>275,047</u>
	39,670	371,104
DEFERRED INCOME TAXES .....	<u>117,000</u>	<u>140,000</u>
	156,670	511,104

## SHAREHOLDERS' EQUITY

### SHARE CAPITAL (note 4)

Authorized – 5,500,000 shares without par value		
Issued at December 31, 1974 – 3,556,196 shares .....	2,144,035	2,144,035
Purchased during year – <u>200,500</u> shares .....	<u>98,279</u>	<u>          </u>
Held by shareholders		
December 31, 1975 <u>3,355,696</u> shares .....	<u>2,045,756</u>	<u>2,144,035</u>
RETAINED EARNINGS .....	<u>1,453,103</u>	<u>1,447,110</u>
	<u>3,498,859</u>	<u>3,591,145</u>
	<u>\$3,655,529</u>	<u>\$4,102,249</u>

## AUDITORS' REPORT

To the Shareholders,  
Madsen Red Lake Gold Mines, Limited.

We have examined the balance sheet of Madsen Red Lake Gold Mines, Limited as at December 31, 1975, and the statements of retained earnings, earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1975, and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,  
February 12, 1976.

JARRETT, GOOLD & ELLIOTT  
Chartered Accountants

# MADSEN RED LAKE GOLD MINES, LIMITED

## STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended December 31, 1975

	<u>1975</u>	<u>1974</u>
<b>SOURCE OF WORKING CAPITAL</b>		
From operations		
Earnings (loss) before extraordinary item .....	\$ (7)	\$1,017,607
Item not requiring an outlay of working capital		
Depreciation and amortization .....	275	18,396
Reduction of income taxes (note 5).....	6,000	
	6,268	1,036,003
Issue of 35,668 shares .....		21,467
Sale of fixed assets .....		10,330
Current portion of notes receivable .....	283,995	216,000
Proceeds of sale of mining property, buildings, machinery and equipment less current income taxes of \$255,000 .....		914,504
	290,263	2,198,304
<b>APPLICATION OF WORKING CAPITAL</b>		
Outside exploration .....	3,079	2,951
Purchase of investment .....	1,250	
Purchase of 200,500 shares .....	98,279	
Decrease in deferred income taxes .....	23,000	
Dividend #49 .....		1,493,602
Notes receivable .....		600,000
Additions to buildings and equipment .....		53,993
Investment in Baffinland Iron Mines Limited .....		8,064
	125,608	2,158,610
<b>INCREASE IN WORKING CAPITAL</b> .....	164,655	39,694
<b>WORKING CAPITAL, BEGINNING OF YEAR</b> .....	2,694,095	2,654,401
<b>WORKING CAPITAL, END OF YEAR</b> .....	\$2,858,750	\$2,694,095
<b>COMPONENTS OF WORKING CAPITAL</b>		
Current assets .....	\$2,898,420	\$3,065,199
Current liabilities .....	39,670	371,104
	\$2,858,750	\$2,694,095

# MADSEN RED LAKE GOLD MINES, LIMITED

## NOTES TO FINANCIAL STATEMENTS

December 31, 1975

### 1. Significant accounting policies

#### (a) *Fixed assets*

The Company provides for depreciation under the declining-balance method at an annual rate of 20%.

#### (b) *Mining properties and deferred exploration*

The Company defers the costs of mining properties and exploration expenditure and carries them as assets until the claims are abandoned when the costs are written off. Recovery of these costs is dependent upon the development in sufficient quantity of ore of economic value.

#### (c) *Shares in Baffinland Iron Mines Limited*

The Company carries its 20.06% interest in Baffinland Iron Mines Limited, a company engaged in the exploration and development of an iron ore property at cost. Realization of an income on, or recovery of the cost of these shares is subject to the development and production in sufficient quantity of ore of economic value.

#### (d) *Income taxes*

The Company accounts for income taxes by the tax allocation method under which income taxes are provided in the year transactions affect net income, regardless of when such transactions are recognized for tax purposes.

### 2. Prior year's adjustment

As a result of a decrease in the amount of taxes payable the balance of retained earnings at December 31, 1974 previously reported as \$1,364,610 has been restated to show a retroactive credit of \$82,500 representing the amount by which income and mining taxes had been decreased.

### 3. Notes receivable

Repayable \$33,333 per month with interest at 10% per annum until March 28, 1977	\$500,001
Current portion payable during 1976	<u>399,996</u>
	<u><u>\$100,005</u></u>

### 4. Share capital

Options to an officer of the Company are outstanding on 11,666 shares at \$0.70 per share exercisable on or before March 25, 1976.

### 5. Extraordinary item

The credit of \$6,000 in 1975 is the reduction in income taxes arising from claiming depreciation allowable for tax purposes in excess of that included in costs and expenses, and a deduction of mining exploration expenditures which are carried as a deferred expenditure in line with the Company's policy.

### 6. Statutory information

The aggregate direct remuneration paid to directors and senior officers (as defined in the Business Corporations Act, Ontario), was \$52,462 in 1975 and \$73,850 in 1974.

### 7. Earnings per share

Exercise of all the outstanding options would not have a material dilutive effect on net income per share.

# COMPARATIVE FINANCIAL SUMMARY

December 31

	<u>1975</u>	<u>1974</u>
Earnings before extraordinary item .....	(7)	\$1,017,607
Net earnings (loss) ..... \$ 5,993		\$ (381,270)
Earnings before extraordinary item per share .....	—	.286
Net earnings (loss) per share .....	.002	(.107)
Dividend paid .....	—	\$1,493,602
Current assets .....	\$2,898,420	\$3,065,199
Current liabilities .....	\$ 39,670	\$ 371,104
Working capital .....	\$2,858,750	\$2,694,095
Shares issued .....	—	\$3,556,196



